

Message Text

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ACTION DLOS-06

INFO OCT-01 IO-13 ISO-00 FEA-01 ACDA-07 AGR-05 AID-05

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DOT-00 EB-07 EPA-01 ERDA-05 FMC-01 TRSE-00 H-02

INR-07 INT-05 JUSE-00 L-03 NSAE-00 NSC-05 NSF-01

OES-06 OMB-01 PA-01 PM-04 PRS-01 SP-02 SS-15 USIA-06

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FROM LOS DEL

STATE FOR KATZ, TREASURY FOR PARSKY

E.O. 11652: GDS

TAGS: PLOS

SUBJ: LAW OF THE SEA: COMITE I: FINANCING THE ENTERPRISE

1. AS FOLLOW-UP TO SECRETARY'S VISIT OF LAST WEEK, WE
WILL BE HOLDING A DISCUSSION ON MONDAY, SEPTEMBER 13, WITH
GROUP OF FIVE (US, USSR, JAPAN, UK, FRANCE) ON SUBJECT
OF FINANCING OF ENTERPRISE. WE DO NOT INTEND, OF COURSE,
TO RAISE THIS IN ANY GENERAL FORUM OF THE CONFERENCE OR
DISCUSS IT FURTHER WITH THE G-77 IN THE ABSENCE OF FORTH-
COMINGNESS ON THEIR PART ON ACCESS, BUT IT IS IMPORTANT
THAT WE INFORM OTHER INDUSTRIALIZED COUNTRIES OF OUR
GENERAL THINKING ON ENTERPRISE FINANCING SO THAT WE GAIN
SUPPORT AND UNDERSTANDING FOR PROPOSALS ON FINANCING
WHICH CLEARLY WILL INVOLVE OTHERS AS WELL AS OURSELVES. IN
FACT, OTHER MEMBERS OF GROUP OF FIVE TOOK INITIATIVE
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IN SUGGESTING THIS MEETING.

2. DELEGATION HERE HAS PREPARED A SHORT LIST OF PRINCIPLES WHICH ELABORATE PROPOSAL OUTLINED BY THE SECRETARY WHICH WE INTEND TO INTRODUCE DISCUSSION OF THIS SUBJECT IN GROUP OF FIVE ON MONDAY. FOLLOWING IS TEXT CONTAINING THESE PRINCIPLES:

BEGIN TEXT:

I. PRINCIPLES FOR
FINANCIAL PROGRAM FOR THE ENTERPRISE

I. THE FINANCIAL PROGRAM SHOULD ENABLE THE ENTERPRISE TO UNDERTAKE AND CARRY OUT ITS FIRST DEEP-SEA MINING OPERATION, BUT WOULD NOT BE EXPECTED TO COVER SUBSEQUENT OPERATIONS.

II. THE FINANCIAL PROGRAM SHOULD BE SUFFICIENT SO THAT THE ENTERPRISE COULD BEGIN START-UP OPERATIONS ALMOST IMMEDIATELY AND ACTUAL MINING OPERATIONS IN ROUGHLY THE SAME TIME FRAME AS THE FIRST COMMERCIAL MINING OPERATIONS.

III. THE FINANCING PROGRAM SHOULD BE ADEQUATE TO ENABLE THE ENTERPRISE TO ATTRACT AND ACQUIRE SUITABLE TECHNOLOGY.

IV. NO UNDUE COMPETITIVE ADVANTAGES FOR THE ENTERPRISE VIS-A-VIS COMMERCIAL FIRMS AND STATES MINING THE DEEP SEABEDS SHOULD RESULT FROM THE FINANCING ARRANGEMENTS UNDER THE PROGRAM.

V. UNDER THE FINANCIAL PROGRAM, ALL MEMBER STATES WOULD AGREE TO ESTABLISH AND CONTRIBUTE TO A FUND, BASED ON A SCALE OF CONTRIBUTIONS TO BE NEGOTIATED AMONG THEM.

(A) PART OF SUCH CONTRIBUTIONS WOULD COMPRISE PAID-IN CAPITAL TO COVER
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START-UP COSTS, INCLUDING ADMINISTRA-
TIVE, PROSPECTING, AND EARLY EXPLORA-
TION COSTS;

(B) THE LARGER PART OF STATE SUBSCRIPTIONS WOULD BE FOR CALLABLE CAPITAL, TO BE AVAILABLE AS BACKING FOR BORROWINGS OF THE ENTERPRISE, WHICH WOULD BE

AUTHORIZED TO BORROW IN CAPITAL MARKETS.
THESE BORROWINGS SHOULD BE USED FOR
ADDITIONAL INVESTMENT EXPENSES INVOLVED
IN THE FIRST PROJECT.

VI. ALL STATES SHOULD SHARE EQUITABLY THE BURDEN
OF FINANCING THE ENTERPRISE ASSOCIATED WITH
V (A) AND (B) ABOVE. FOR ITS PART, THE UNITED
STATES WOULD BE PREPARED TO CONTRIBUTE UP TO
20 PERCENT OF THIS BURDEN.

VII. AS PART OF THIS FINANCIAL PROGRAM, WE WOULD
EXPECT THAT THE ENTERPRISE WOULD USE ITS BEST
EFFORTS TO OBTAIN FUNDS FOR ITS CAPITAL PRO-
JECTS FROM OTHER SOURCES, INCLUDING DONATIONS,
FUNDS OBTAINED FROM THE AUTHORITY AND LOANS
FROM COMMERCIAL SOURCES AND THE INTER-
NATIONAL FINANCIAL INSTITUTIONS AS APPROPRIATE.

VIII. A SYSTEM OF ASSURING RESPONSIBILITY AND CONTROL
FOR THE FINANCIAL PROGRAM OF THE ENTERPRISE FOR
THE FIRST PROJECT SHOULD BE AN INTEGRAL PART OF
THIS ARRANGEMENT. END TEXT.

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